

of about \$14,000,000.' The Bank of Havana has a capital of \$2,500,000, and there are branches of two Canadian banks in the island.

The monetary system of Cuba is peculiar in that the commercial community has adhered to the Spanish gold standard, while small transactions are carried on in Spanish silver at its current exchange value. When Spain went upon the paper basis the Cuban bankers and merchants refused to follow. An adequate supply of gold was kept in Cuba by the curious device of rating Spanish gold coins at the custom-house and in financial transactions at about six per cent, above their actual value at the old legal parity with silver—that is, five pesetas in gold, originally equivalent to one peso, were rated at about \$1.06. The fact that this arbitrary enhancement of valuation would be lost by exportation tended to keep the gold coins in the island. The silver coins in use, however, were those of Spain, instead of having a distinctive character as in Porto Rico and the Philippines. They fluctuated substantially with the course of Spanish paper, which, after the war with the United States was over, was above the bullion value of the coins. As Spanish exchange improved in 1905 and 1906, there was a tendency to export the silver coins to Spain, which for a time threatened to almost denude the island of its subsidiary currency.² United States currency has come into use in Santiago and to some extent in other parts of the island.

Porto Rico under Spanish authority possessed a bank of issue, known as the Spanish Bank of Porto Rico, founded in 1891, with a circulation of about 1,500,000 piasters. Its charter was similar in its provisions to that of the Bank

¹ *Vide* article by the President of the bank, Edmund G. Vaughn, in *New York Commercial*, January 7, 1908.

² *Cf.* Pepper, *Report on Trade Conditions in Cuba*, 1906, 32-34*

The present writer, in the spring of 1907, suggested the adoption in Cuba of a local silver currency kept at gold par and the exportation of the Spanish silver by exchange operations at the profit of the Cuban Treasury, but the Provisional Governor, in an elaborate letter to the War Department in August, 1907, refused to approve the suggestion.